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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 16, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

**SUBJECT: DEPARTMENT OF PUBLIC SOCIAL SERVICES – STATE MANDATED
FINANCIAL AND COMPLIANCE AUDITS OF PROGRAM CONTRACTS
– FISCAL YEARS 2013-14 AND 2014-15**

The Department of Public Social Services (DPSS or Department) administers and contracts with providers for services related to various State assistance programs. The services include temporary shelter, transitional housing, case management, and kinship caregiver support for programs such as the Community College CalWORKs Program, General Relief Physical Health Disability Assessment Services, etc. The State requires the County to conduct financial and compliance audits of each contract after the contracts have expired, to ensure the providers complied with all State requirements.

At DPSS' request, we contracted with an independent Certified Public Accounting firm, BCA Watson Rice LLP (BCA), to conduct the financial and compliance audits of 27 DPSS program service contracts that expired in Fiscal Years 2013-14 and 2014-15. Payments for the 27 contracts totaled \$52.4 million.

As part of the audit, BCA issued an Independent Auditor's Management Letter (Letter), which includes recommendations designed to strengthen DPSS' internal controls over contract management and their administrative responsibilities (Attachment II). DPSS' management response has been incorporated into the Letter. DPSS agreed with the findings and recommendations, and indicates the Department has taken action to implement the recommendations.

Review Summary

As indicated on Attachment I, the audits disclosed that DPSS overpaid three providers a total of approximately \$158,000. The overpayments were mainly due to one provider's inability to provide participant files/case records related to the Supplemental Security Income Enhanced Case Management/Outreach program. Subsequent to the completion of the audit, the provider located the participant files and is in the process of providing those records to DPSS for their review. The audits also identified that DPSS underpaid two providers a total of \$750.

Review of Report

BCA discussed their reports with each provider and DPSS. DPSS management indicated that the Department:

- Continues to work with St. John's Well Child and Family Center to validate their outstanding questioned costs of \$157,454 for the South Special site and \$180 for the South Central site.
- Collected \$10 from Compton Community College for their overpayment.
- Repaid \$535 to Long Beach Community College and \$215 to Crystal Stairs for their underpayments.

Due to the number of audits, copies of the individual reports are not attached, but are available for review. If you have any questions please call me, or your staff may contact Robert Smythe at (213) 253-0100 if you would like to review any of the reports.

JN:AB:PH:RS:YK

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
Public Information Office
Audit Committee

**DEPARTMENT OF PUBLIC SOCIAL SERVICES (DPSS)
STATE MANDATED FINANCIAL AND COMPLIANCE
AUDITS OF PROGRAM CONTRACTS
FISCAL YEARS 2013-14 AND 2014-15**

	Provider Name	Amount Paid to Provider	Amount Due to DPSS	Amount Due from DPSS	Contract Name	Description of Services
1	Antelope Valley	\$139,277			Community Colleges California Work Opportunity and Responsibility to Kids (CalWORKs) Program	Provides out-of-classroom coordination services to assist CalWORKs participants in completing their educational program, complying with State work participation requirements and acquiring employment.
2	Cerritos	\$84,610				
3	Compton	\$127,000	\$10			
4	El Camino	\$95,992				
5	Glendale	\$284,000				
6	Long Beach	\$143,465		\$535		
7	Mt. San Antonio	\$91,716				
8	Pasadena	\$56,660				
9	Rio Hondo	\$45,457				
10	Santa Clarita	\$30,996				
11	Antelope Valley Community Clinic, Lancaster #67	\$367,020			General Relief (GR) Disability Assessment	Provides health assessments to GR applicants/participants under the GR Physical Health Disability Assessment Services and Comprehensive Physical Health Disability Evaluation Services programs.
12	Central Neighborhood, Metro Special #70	\$1,032,390				
13	Korean Health, Education, Information and Resource Center Rancho Park #60	\$445,770				
14	Korean Health, Education, Information and Resource Center Wilshire #10	\$416,160				
15	Los Angeles Christian Health Center Metro East #15	\$338,130				
16	Mission City Community Network, Inc., Pomona #36	\$191,160				
17	Mission City Community Network, Inc., Glendale #02	\$150,390				
	Mission City Community Network, Inc., San Fernando #32	\$412,200				
18	Mission City Community Network, Inc., San Gabriel Valley #20	\$309,330				
19	Mission City Community Network, Inc., South West Special #08	\$1,692,720				
20	St. John's Well Child and Family Center, South Central #27	\$244,710	\$180			

DEPARTMENT OF PUBLIC SOCIAL SERVICES (DPSS)
STATE MANDATED FINANCIAL AND COMPLIANCE
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	Provider Name	Amount Paid to Provider	Amount Due to DPSS	Amount Due from DPSS	Contract Name	Description of Services
21	St. John's Well Child and Family Center, South Special #07	\$981,494	\$157,454		GR Disability Assessment & Supplemental Security Income Enhanced Case Management/Outreach (SSI ECMO)	Provide GR Physical Health Disability Assessment Services and Comprehensive Physical Health Disability Evaluation Services to GR applicants/participants. Amendment No. 2 to the Contract required the Contractor to implement and provide a pilot project for the SSI ECMO Services.
22	Crystal Stairs	Operational and Administrative Fees: \$6,837,619 Direct Provider Payments: \$19,962,840		\$215	Stage 1 Child Care	Provides CalWORKs participants, who are engaged in required welfare-to-work activities and/or employment, with child care services for dependent children in the assistance unit age 10 and younger, through the age of 12 if funding is available, and through the age of 18 for severely handicapped/exceptional needs children. Services include personnel that possess competence and expertise in providing orientation, case management, record maintenance, child care reimbursements, and comprehensive support services that assist CalWORKs participants in achieving self-sufficiency.
23	Drew Child Development	Operational and Administrative Fees: \$1,429,398 Direct Provider Payments: \$4,667,696				
24	Pomona Unified School District	Operational and Administrative Fees: \$1,280,182 Direct Provider Payments: \$3,588,418				
25	Los Angeles County Office of Education	\$2,346,929			General Relief Opportunity for Work (GROW) Program Support	Provides supportive services (i.e., Career Opportunities, Resources & Employment (CORE), etc.) for GROW program participants, which enables DPSS to provide vital job search and job placement services to the County's GROW participants.
26	Apple One	\$501,838			Temporary Secretarial/Clerical Support Services	Provides DPSS and other County Departments secretarial and clerical services that require the use of skilled clerical employees to meet County intermittent personnel needs during peak loads and emergency situations on an as-needed basis.

DEPARTMENT OF PUBLIC SOCIAL SERVICES (DPSS)
STATE MANDATED FINANCIAL AND COMPLIANCE
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	Provider Name	Amount Paid to Provider	Amount Due to DPSS	Amount Due from DPSS	Contract Name	Description of Services
27	Los Angeles County Personal Assistance Services Council (PASC)	\$4,069,419			PASC	Provides services, which include, but are not limited to: acting as the employer of record for collective bargaining purposes to negotiate with Services Employees International Union for In-Home Supportive Services (IHSS) providers' wages and benefits; providing access to training for IHSS providers and consumers; administering IHSS provider registry and the Back-up Attendant Program (BUAP) registry; administer BUAP; determining eligibility and administering IHSS provider health benefits; and administering New Provider Enrollment Requirements for IHSS providers.

Totals: **\$52,364,986** **\$157,644** **\$750**



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Independent Auditor's Management Letter

Mr. John Naimo
Auditor-Controller
County of Los Angeles

Re: Work Order No. 8-05C, Fiscal Years 2013-14 and 2014-15 State Mandated Financial and Compliance Audits of Program Contracts

In planning and performing our financial and compliance audits of twenty-eight (28) Los Angeles County Department of Public Social Services (DPSS) contract related to various State mandated programs for services provided during the fiscal years 2013-2014 and 2014-2015, we considered DPSS' contract management and administration responsibilities in order to determine the nature, timing and extent of auditing procedures necessary for expressing our opinion on the Schedule of Service Fees and Contract Reimbursements.

During our audit, we noted certain matters that could strengthen DPSS' contract management and administration responsibilities. These matters are summarized below:

Finding No: 1 - Submittal of Written Release of Liability

Section 5.7.7 of the General Relief Physical Health Disability Assessment Services and Comprehensive Physical Health Disability Evaluation Services Contract states that *"prior to receiving final payment hereunder, the Contractor shall submit a signed written release discharging the County, its officers and employees, from all liabilities, obligations, and claims arising out of or under the Contract, except for any claims specifically described in detail in such release."*

Based on our audit of 12 General Relief Physical Health Disability Assessment Services and Comprehensive Physical Health Disability Evaluation Services contracts that were not renewed and ended on July 31, 2014, we found that the signed written release of liability letters were not submitted to DPSS prior to final payment to the Contractor for eight of the 12 contracts. Final payments were made by DPSS to the Contractors in August or September 2014. However, for six of the eight contracts, the Contractors prepared the letters either during or subsequent to our audit fieldwork in April 2016. For the remaining two of the eight contracts, the Contractors had not yet submitted a letter of release of liability as of the date of this management letter.

By not obtaining the signed written letter of release of liability prior to payment of final invoices, the County is subjected to unnecessary risk of liability.

Recommendation

We recommend that DPSS implement procedures to ensure that a written release of liability is received prior to final payment under the Contract.

Management's Response

DPSS' Contract Administration has implemented internal procedures to ensure that Release of Liability letters are received prior to final payment pursuant to the provision in the contracts.

Finding No. 2 - Physical Health Disability Assessment Write-Up

Section 1.2 of the General Relief Physical Health Disability Assessment Services and Comprehensive Physical Health Disability Evaluation Services Contract's Statement of Work states that *"Contractor will collaborate with the County and any other contractors to develop a single Countywide physical health disability assessment tool. The physical health disability assessment write-up will include, but is not limited to, documentation of GR applicant/participant's medical history, medical observations, a prognosis, disability status recommendation, and service referral(s). The assessment write-up should include a narrative of the preliminary physical exam findings, a disability status determination, and a narrative supporting the disability status determination."*

Based on our audit of 12 General Relief Physical Health Disability Assessment Services and Comprehensive Physical Health Disability Evaluation Services contracts, we found that for six of the contracts, the Physical Health Disability Assessment forms were not completely filled out. As detailed below, the incomplete assessment forms were missing information from one or more sections.

Contractor	Contract No.	Total Participants Sampled	No. of Assessment Forms Not Filled Out Completely
Mission City Community Network - Pomona	GRDS11009	75	19
Mission City Community Network - San Fernando	GRDS11010	85	48
Mission City Community Network - Glendale	GRDS11010, Amendment No. 3	80	24
Mission City Community Network - San Gabriel Valley	GRDS11011	81	13
St. John's Well Child & Family Center - South Special	GRDS11013	76	10
St. John's Well Child & Family Center - South Central	GRDS11014	65	32

According to DPSS, Contractors were not required to complete 100% of the medical assessment forms, but Contractors were required to update the LEADER system with the results of the assessment. We requested DPSS to provide us documentation from the LEADER system to verify that the Contractor updated the results of the assessments. However, DPSS was only able to provide us documentation from their LEADER system showing participant name, case number, date and time of the physical health disability assessment and verification that the participant showed up for the physical health disability assessment.

Recommendation

We recommend that DPSS implement procedures to ensure that Contractors update the LEADER system with the results of each assessment performed.

Management's Response

The LEADER System is being phased-out and replaced with the LEADER Replacement System (LRS). Since the GR Disability contracts have expired and the Department has no need for future contracts, no updates to LRS are needed.

Finding No. 3 - Reimbursement of Revenue Received from Providers

During our audit of three Stage 1 Child Care (S1CC) Services Program contracts, we noted that one contract with Pomona Unified School District, with revenue from direct provider payments totaling \$7,698, was recorded in 2008 in the Contractor's accounting records related to the reimbursement of costs from child care providers as a result of fraud cases/claims filed in 2005. This revenue has remained on the Contractor's books for over seven years because the Contractor is unable to issue a reimbursement check until they receive an invoice from DPSS. However, DPSS indicated that they were unaware of this revenue received by the Contractor. The Contractor plans to reduce their May 2016 invoice amount by \$7,698.

Recommendation

We recommend that DPSS implement a program control that tracks and monitors all fraud cases/claims made by Contractors against child care providers. This program control will alert DPSS to follow-up with the Contractor on settlement of fraud cases and generate an invoice to collect any monies that may be owed to DPSS.

Management's Response

DPSS has controls in place to track and monitor all fraud cases/claims made by Contractors against child care providers. The S1CC Services Program contracts executed July 1, 2015, which is subsequent to the audit period covered in this report, include contract language for Contractors to report fraud referrals. Contract Section 8.12 WELFARE FRAUD PREVENTION AND INVESTIGATIONS, Sub-section 8.12.1 Fraud Referrals, paragraph "b," instructs the Contractor to include a list of all fraud referrals submitted each month with the Monthly Management Report (MMR), (Exhibit A-5), to the County Contract Administrator (CCA) via postal service, e-mail or hand-delivered. The MMR shall include Fraud Referrals (Exhibits A-9) that reports the total number of fraud referrals submitted to Welfare Fraud Prevention and Investigations Section in the report month.

MMR's and Fraud Referrals (Exhibit A-9) will be used as a program control to track and monitor all cases/claims made by Contractors against child care providers. This will alert DPSS' Contract Management Division to follow-up with Contractors, issue a "Billing Memo" to request

repayment and collect direct provider payment revenue related to reimbursements of costs as a result of fraud cases/claims filed.

Additionally, DPSS has initiated recoupment of the \$7,698 identified through this audit.

Finding No. 4 - Monthly Reconciliation Letters

Section 5.7.6 of the S1CC Services Program Contract states that *"within 15 business days of receipt of invoice and documentation, Accounts Receivable Section will provide Contractor with a notice of the results of the month's reconciliation, including any non-supported requests for payment which will be deducted from future invoices."*

Based on our audit of the three S1CC Services Program contracts, we noted that one contract with Drew Child Development Corporation, submitted the final invoice five days late because the Contractor was waiting on monthly reconciliation letters from DPSS before submitting the final invoice.

Recommendation

We recommend that DPSS implement procedures to ensure that monthly reconciliation letters are provided timely to Contractors.

Management's Response

The newest version of the S1CC Services Program contracts executed on July 1, 2015, Section 5.8 INVOICES AND PAYMENTS, Sub-section 5.8.6 states that "Within 45 calendar days of receipt of invoice and documentation, County will provide Contractor with a notice of the results of the month's reconciliation, including any non-supported requests for payment which will be deducted from future invoices. Contractor and County shall work together to resolve any discrepancies." DPSS follows this contract provision to ensure Contractors receive timely monthly reconciliation letters to allow Contractors to submit final invoices timely.

This report is intended solely for the information and use of the County of Los Angeles Auditor-Controller, the County of Los Angeles Department of Public Social Services and the Contractor's management and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve the County. We appreciate the courtesy and cooperation extended to us during our audit.

BCA Watson Rice, LLP

June 15, 2016
Torrance, California